

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARLISLE COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the Carlisle County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$10,709 from the prior year, resulting in excess fees of \$33,302 as of December 31, 2010. Revenues increased by \$76,473 from the prior year and expenditures increased by \$65,764.

Report Comment:

2010-01 The Carlisle County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Terry, Carlisle County Judge/Executive
The Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Carlisle County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2011 on our consideration of the Carlisle County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Greg Terry, Carlisle County Judge/Executive
The Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2010-01 The Carlisle County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Carlisle County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 12, 2011

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

| | | |
|-------------------------|----|-------|
| State Fees For Services | \$ | 2,301 |
|-------------------------|----|-------|

| | | |
|----------------------|--|--------|
| Revenue Supplemental | | 61,845 |
|----------------------|--|--------|

| | | |
|--------------|--|--------|
| Fiscal Court | | 13,439 |
|--------------|--|--------|

Licenses and Taxes:

Motor Vehicle-

| | | |
|------------------------|----|---------|
| Licenses and Transfers | \$ | 227,318 |
|------------------------|----|---------|

| | | |
|-----------|--|---------|
| Usage Tax | | 434,893 |
|-----------|--|---------|

| | | |
|--------------------------------|--|---------|
| Tangible Personal Property Tax | | 458,615 |
|--------------------------------|--|---------|

| | | |
|--------------------------|--|-------|
| Affordable Housing Trust | | 6,132 |
|--------------------------|--|-------|

| | | |
|-----------|--|-------|
| Lien Fees | | 2,622 |
|-----------|--|-------|

Other-

| | | |
|-------------------|--|-------|
| Marriage Licenses | | 1,456 |
|-------------------|--|-------|

| | | |
|-------------|--|----|
| Notary Fees | | 54 |
|-------------|--|----|

| | | |
|-------------------|--|--------|
| Deed Transfer Tax | | 11,018 |
|-------------------|--|--------|

| | | |
|----------------|--------|-----------|
| Delinquent Tax | 36,271 | 1,178,379 |
|----------------|--------|-----------|

Fees Collected for Services:

Recordings-

| | | |
|---------------------------------|--|-------|
| Deeds, Easements, and Contracts | | 4,166 |
|---------------------------------|--|-------|

| | | |
|-----------------------|--|-------|
| Real Estate Mortgages | | 6,445 |
|-----------------------|--|-------|

| | | |
|--|--|--------|
| Chattel Mortgages and Financing Statements | | 16,296 |
|--|--|--------|

| | | |
|--------------------|--|-----|
| Powers of Attorney | | 320 |
|--------------------|--|-----|

| | | |
|----------------------|--|-------|
| All Other Recordings | | 5,852 |
|----------------------|--|-------|

Charges for Other Services-

| | | |
|----------|--|-----|
| Copywork | | 185 |
|----------|--|-----|

| | | |
|---------|--|-----|
| Postage | | 824 |
|---------|--|-----|

| | | |
|-----------------------|-----|--------|
| Candidate Filing Fees | 810 | 34,898 |
|-----------------------|-----|--------|

Other:

| | | |
|---------------|--|-------|
| Miscellaneous | | 1,366 |
|---------------|--|-------|

| | | |
|-----------------|--|-----|
| Interest Earned | | 399 |
|-----------------|--|-----|

| | | |
|----------------|--|-----------|
| Total Revenues | | 1,292,627 |
|----------------|--|-----------|

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 172,567

Usage Tax 421,792

Tangible Personal Property Tax 171,166

Licenses, Taxes, and Fees-

Delinquent Tax 3,716

Legal Process Tax 5,435

Affordable Housing Trust 6,132 \$ 780,808

Payments to Fiscal Court:

Tangible Personal Property Tax 44,978

Delinquent Tax 4,896

Deed Transfer Tax 10,467 60,341

Payments to Other Districts:

Tangible Personal Property Tax 224,128

Delinquent Tax 16,397 240,525

Payments to Sheriff 2,912

Payments to County Attorney 4,872

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 65,133

Part-Time Salaries 8,947

Contracted Services-

Software Management 5,813

Printing and Binding 1,070

Materials and Supplies-

Office Supplies 5,950

Other Charges-

Conventions and Travel 1,229

Dues 420

Postage 75

Telephone 1,307

Miscellaneous 1,322 91,266

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

| | | |
|---|--------|--------------|
| Capital Outlay- | | |
| Office Equipment | \$ 709 | |
| Total Expenditures | | \$ 1,181,433 |
| Net Revenues | | 111,194 |
| Less: Statutory Maximum | | 70,668 |
| Excess Fees | | 40,526 |
| Less: Expense Allowance | 3,600 | |
| Training Incentive Benefit | 3,624 | 7,224 |
| Excess Fees Due County for 2010 | | 33,302 |
| Payments to Fiscal Court - | | |
| March 2, 2010 | 8,000 | |
| January 12, 2011 | 20,000 | |
| January 28, 2011 | 5,302 | 33,302 |
| Balance Due Fiscal Court at Completion of Audit | | \$ 0 |

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Non hazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Carlisle County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Carlisle County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 4. Service Agreement

The Carlisle County Clerk has entered into a software maintenance agreement with Software Management for delinquent tax software and maintenance. The agreement requires annual payment of \$5,813 and is renewable annually. The Carlisle County Clerk was in compliance with the terms of this agreement as of December 31, 2010.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Terry, Carlisle County Judge/Executive
The Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carlisle County Clerk for the year ended December 31, 2010, and have issued our report thereon dated April 12, 2011. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. However as discussed in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2010-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Carlisle County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 12, 2011

COMMENT AND RECOMMENDATION

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2010

INTERNAL CONTROL - MATERIAL WEAKNESS:

2010-01 The Carlisle County Clerk's Office Lacks Adequate Segregation Of Duties

The Carlisle County Clerk's Office lacks adequate segregation of duties over the accounting and reporting functions. The County Clerk is responsible for receiving cash, preparing daily deposits, preparing and signing checks, posting to receipt and disbursement ledgers, preparing monthly bank reconciliation, and also comparing the weekly, monthly, and quarterly reports to the ledgers. A lack of segregation of incompatible duties or strong oversight increases the risk that errors could occur and not be detected.

A proper segregation of duties over the accounting and reporting functions such as receiving cash, recording cash, preparing deposits, writing checks, maintaining ledgers, reconciling bank records to the ledgers, and the preparation of the quarterly reports or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from error occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Carlisle County Clerk should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliation, and comparing financial reports to ledgers. If, due to a limited budget, this is not feasible, cross-checking procedures could be implemented and documented by the individual performing the procedure.

County Clerk's Response: None.

